

Annual Report 2006

northern
Trust 
NORTHERN DEVELOPMENT INITIATIVE TRUST



Map of the Northern Trust Regions

The Northern Development Initiative Trust covers over 70% of the land base of British Columbia and is segmented into four regions for economic development:



An Introduction to the Northern Trust

The Northern Development Initiative Trust (Northern Trust) was established in October 2004 through an act of legislation passed by the current Liberal government of BC. Initially infused with two deposits of \$135 million in December 2004 and a further \$50 million in December 2005, totaling \$185 million, it is an economic development funding corporation for northern British Columbia that operates independently from government and provides the funding and ability to identify and pursue new opportunities for stimulating economic growth and job creation. The Northern Trust mandate is to be a catalyst for strategic economic development at the local and regional levels to achieve its mission of helping northern BC communities create and sustain world-class industries and diversified economies.

The Northern Trust covers approximately 70% of the Province which includes communities from the south at Lytton to the north at Fort Nelson, and from the east at Valemount to the west at the Queen Charlotte Islands. The Northern Trust currently offers funding programs in both grant and loan forms - available to local governments, First Nations, and not-for-profit agencies that reside within the Trust area. Each project must demonstrate measurable economic benefits such as job creation and increased revenues. To-date, the Northern Trust has approved 51 projects that are within the mandate of its ten legislated investment sectors. The Northern Trust is managed by a thirteen member board of directors with an executive staff of four and offices in Prince George.



Mount Timothy Ski Hill



Contents

Message from the Chair and CEO	2
Vision and Mission	3
2006 Board of Directors	3
Officers	3
2006 Regional Advisory Committees	4
2006 - A Year in Review	6
Impacts on the Economy of Northern BC	6
Economic Development Projects Approved	8
Project Investment Spotlight	10
Leveraging	13
Market Investment Performance	13
Administration Costs	14
Sustainability Report	15
Audited Financial Statements	16



Bruce Sutherland
*Chair
Northern Development
Initiative Trust*

Message from the Chair and CEO

2006 was a year for the Northern Development Initiative Trust to build teamwork, governance, and establish a positive track record of success. This Annual Report demonstrates a sustainable long term trust for the north that is creating jobs, a positive investment climate, and increased regional collaboration between northern and central British Columbia communities and business leaders. It is demonstrating that "decisions made in the north, for the north", are helping communities to reach their economic potential.

During 2006, we achieved all of the governance and disclosure guidelines that make up the "Best Practice Guidelines for BC Boards and Public Sector Organizations". The additions of Bryan Lockhart, Chief Financial Officer, and Katherine Voigt, Project Manager to the staff team have tremendously increased the capacity of our small, but effective executive staff group. The Board and staff were especially pleased at the turnout of 145 people from 27 communities to the Bioenergy Forum in December 2006 and the subsequent business investment discussions which have resulted between communities and major bioenergy companies.

Project Success workshops were held in communities across the Northern Trust regions to communicate the programs and principles of the Trust, and to assist potential applicants in preparing successful project proposals. We were also pleased to take on a mentoring role in assisting the initial development of the Island Coastal Economic Trust, the Southern Interior Development Initiative Trust, and the New Relationship Trust. We look forward to a collaborative relationship with these trusts; working together to build the strength of rural and regional British Columbia.

The 40 incorporated communities and ten regional districts that cross the Trust regions have collaborated on three-year strategic plans and project investments. Minister Colin Hansen was recently quoted on CBC saying that "instead of having these communities in competition with each other as we have seen in past decades, what we are seeing now is communities starting to work together so that they can actually benefit each other with a regional economic approach. And that is exactly what the Northern Development Initiative is there to help fund."

Moving forward in 2007, the Board's focus will be on working with communities, economic development professionals, and Invest BC to build programs that attract business investment and increase community capacity to deal with investor enquiries. The northern transportation gateway to Asia, the creation of a bioenergy industry and the resurgence of mining will be a few of the factors that will put the focus of the world and investors on the resource rich assets of our energetic communities and the work force that we have ready to take advantage of these opportunities.

2006 was a great year to start on the journey of diversifying our regional economies and the results in this Annual Report show that we are on the right track. The Board looks forward to making more strategic investments that stimulate the sustainable economic growth that our communities want to achieve.



Janine North
*Chief Executive Officer
Northern Development
Initiative Trust*

Bruce Sutherland
Chair

Janine North
Chief Executive Officer

Vision and Mission

The Board of Directors of the Northern Trust holds
a vision of the future for the Trust regions.

Our Vision

*Northern BC has world-class industries, diversified
regional economies and growing, energetic communities.*

The Board has formulated their mission to express how they see the
Northern Trust as contributing to this vision of northern British Columbia.

Our Mission

*To be a catalyst for northern BC to grow a strong diversified
economy by stimulating sustainable economic growth
through strategic and leveraged investments.*

2006 Board of Directors

Bruce Sutherland, President, Wolftek Industries Inc., Prince George, BC – Chair
Mayor Christene Morey, Town of Fort Nelson, BC – Vice Chair
Mayor Nate Bello, City of Quesnel, BC
Mayor Ella Brown, District of Logan Lake, BC
Mayor Jim Eglinski, City of Fort St. John, BC
Stephanie Forsyth, President, Northwest Community College, Terrace, BC
Mayor Len Fox, District of Vanderhoof, BC
Hugh Jones, H.S. Jones Management, Williams Lake, BC
Mayor Colin Kinsley, City of Prince George, BC
Lita Powell, Licar Property Management, Fort St. John, BC
Mayor Sharon Smith, District of Houston, BC
Mayor Jack Talstra, City of Terrace, BC
Steve Wilson, Chief Councilor, Haisla Nation, Kitimaat Village, BC
(to September 2006)



Granisle Ice Events Centre

The Trust is managed by a board of thirteen directors of which eight are elected officials and five are business leaders appointed by the Government of British Columbia.

Officers

Janine North, Chief Executive Officer
Bryan Lockhart, Chief Financial Officer



Houston Steelhead Park

2006 Regional Advisory Committees

Northeast Regional Advisory Committee

Mayor Evan Saugstad – District of Chetwynd, RAC Chair
Mayor Calvin Kruk – City of Dawson Creek
Mayor Christene Morey – Town of Fort Nelson, Northern Rockies Regional District
Mayor Mike Caisley – District of Tumbler Ridge
Mayor Lenore Harwood – District of Hudson's Hope
Karen Goodings – Peace River Regional District
Mayor Jim Eglinski – City of Fort St. John
Mayor Fred Jarvis – District of Taylor
Mayor Barbara Smith – Village of Pouce Coupe
Director Tim Caton – Peace River Regional District
MLA Blair Lekstrom – Peace River South
MLA Richard Neufeld – Peace River North

Northwest Regional Advisory Committee

Mayor Jim Davidson – Town of Smithers, RAC Chair
Mayor Angela Brand Danuser – District of Stewart, RAC Vice-Chair
Mayor Alice Maitland – Village of Hazelton
Councillor Susan Schienbein – Village of Burns Lake
Mayor Dave MacDonald – District of Port Edward
Director Jeremy Penninga – Bulkley-Nechako Regional District
Mayor Barry Pages – Village of Masset, Chair, Skeena-Queen Charlotte Regional District
Brian Lande – Chair, Central Coast Regional District
Mayor Cory Delves – Village of Port Clements
Mayor Gerald Ewald – Village of Granisle
Mayor Herb Pond – City of Prince Rupert
Mayor Pieter Weeber – District of New Hazelton
Mayor Sharon Hartwell – Village of Telkwa
Mayor Carol Kulesha – Village of Queen Charlotte
Mayor Jack Talstra – City of Terrace
Councillor Bob Corless – District of Kitimat
Mayor Sharon Smith – District of Houston
Director Fred Roisum – Kitimat-Stikine Regional District
MLA Robin Austin – Skeena
MLA Gary Coons – North Coast
MLA Dennis MacKay – Bulkley Valley-Stikine

Prince George Regional Advisory Committee

Director Art Kaehn – Vice Chair, Regional District of Fraser-Fort George, RAC Chair
Mayor Stephanie Killam – District of Mackenzie
Mayor Michael Frazier – Village of McBride
Mayor Len Fox – District of Vanderhoof
Mayor Richard Bisanz – Village of Fraser Lake
Mayor Colin Kinsley – City of Prince George
Mayor Rob McDougall – District of Fort St. James
Mayor Jeanette Townsend – Village of Valemount
Director Sonny Beck – Bulkley-Nechako Regional District
MLA John Rustad – Prince George-Omineca
MLA Shirley Bond – Prince George-Mount Robson
MLA Pat Bell – Prince George North



*Prince George River Road
Boat Launch*

Cariboo-Chilcotin/Lillooet Regional Advisory Committee

Mayor Christl Roshard – District of Lillooet, RAC Chair
Mayor Nate Bello – City of Quesnel
Mayor Chris O'Connor – Village of Lytton
Mayor Andy Anderson – Village of Ashcroft
Mayor Donna Barnett – District of 100 Mile House
Mayor Scott Nelson – City of Williams Lake
Mayor Roland Stanke – Village of Clinton
Mayor Ella Brown – District of Logan Lake
Mayor John Ranta – Village of Cache Creek
Mayor Jay Vermette – District of Wells
Director Jon Wolbers – Cariboo Regional District
Director Ted Armstrong – Cariboo Regional District
Director Russ Oakley – Squamish-Lillooet Regional District
Director Mickey Macri – Squamish-Lillooet Regional District
Director Sally Watson – Thompson-Nicola Regional District
Director Barry Tait – Thompson-Nicola Regional District
MLA Bob Simpson – Cariboo North
MLA Charlie Wyse – Cariboo South
MLA Harry Lali – Yale/Lillooet



Lillooet Jade Park

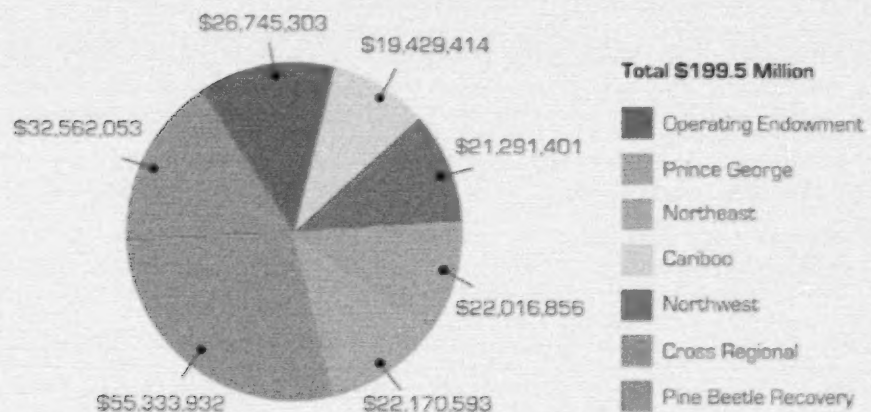
2006 – A Year in Review

The Northern Development Initiative Trust was created on October 6, 2004 by the Government of British Columbia through Bill 59 – the Northern Development Initiative Trust Act. This Act provided funding of \$135 million to the Trust from the proceeds of the lease of BC Rail assets. In December 2005, a further \$50 million in funding was provided to the Trust through Bill 6 (an amendment to the Northern Development Initiative Trust Act).

The funding is specifically targeted toward investments in sustainable projects that support the following economic development categories defined by legislation:

Tourism	Transportation
Economic Development	Agriculture
Forestry	Energy
Olympic Opportunities	Mining
Small Business	Pine Beetle Recovery

Account Balances December 31, 2006



Overview, by account, of the Northern Trust balance at year-end.

Impacts on the Economy of Northern BC

Project proponents partner with the Trust to provide annual reporting of the key benefits of each project for a five-year period. Through this annual reporting process, the Trust is able to report back to the people of central and northern BC on the impacts that these projects have had on the local economy. The three mandatory performance measures are leveraging of other funding, job creation, and new revenues. Other performance measures submitted for the project annually tell the story of how the investment has made a measurable difference in the local economy.

A key objective of the Trust is to be a catalyst in the area of job creation. Through the 51 active projects in their startup phase, over 141 construction positions have been created during 2006, injecting over \$11.6 million in wages and \$1.3 million in supplies into the economy of the north. In addition, an equivalent of 36 full time jobs and six seasonal jobs have been created through these various projects, adding over \$1.4 million to the annual payroll in the north.

Increasing tourism brings external spending to our local northern economies. While many of these projects are in the startup phase in 2006, some project proponents report that they have experienced a significant increase in visitors to their areas bringing over \$235,000 of sales to local businesses. Mount Timothy Ski Hill has reported a significant increase in skier days from 12,000 to 16,000 for the 2005/2006 winter ski season. Other projects are measuring hotel and campground occupancy rates, airport passenger traffic, and the number of visitors to tourist information centers.

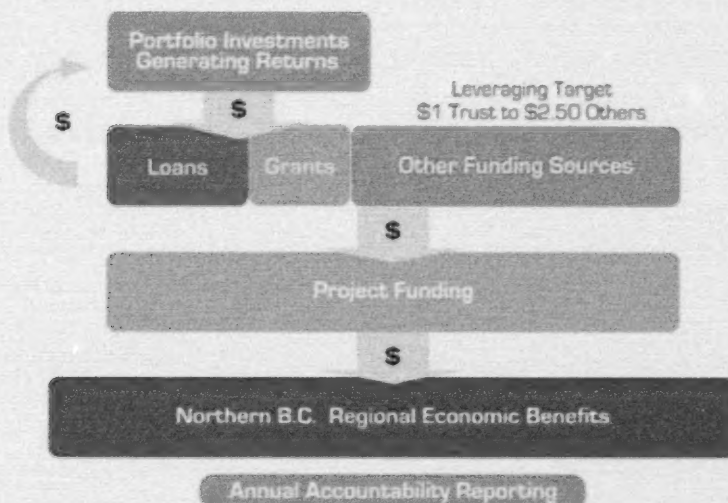
Diversification of the local economy has taken a number of forms, including the installation of high speed internet in the Bella Coola area of the Central Coast and in the Village of Wells. This connection to the world has enabled local businesses to advertise their local products and unique regional attributes, and entrepreneurs who prefer to locate in a smaller northern community have been starting new businesses with access to high speed internet. The people of northern BC can expect to see even more migration to our communities due to the high quality of lifestyle, lower cost of living, and seamless access to amenities found in larger centers.

Economic development and planning have also proven to be a boon to many smaller northern communities who have attracted significant new investment as measured by business startups totaling seven new businesses in the area directly associated with Northern Trust projects.



Northern BC Air Cargo and Prince George Airport Expansion

How it Works



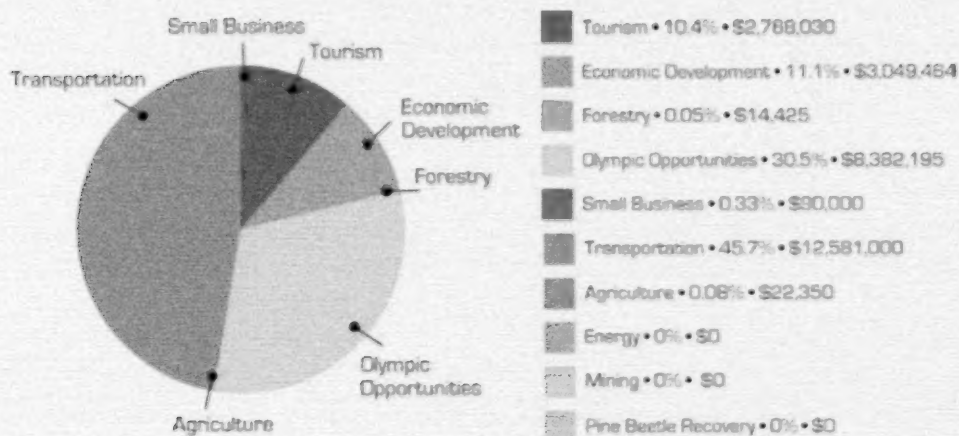
The financial flow of Trust funding, resulting in leveraged, regional economic benefits and a sustainable Trust.

Economic Development Projects Approved

Community	Project	Terms	Amount
2005 Project Approvals			
Valemount	Visitor Information Centre	Loan/Grant	\$345,300
Lac La Hache	Mount Timothy Ski Hill	Loan/Grant	\$420,000
Williams Lake	Tourism Discovery Centre	Grant	\$1,200,000
Central Coast Regional District	Broadband Initiative	Grant	\$60,000
Central Coast Regional District	Network Infrastructure	Grant	\$30,000
2005 Project Approvals			\$ 2,055,300
2006 Project Approvals			
Wells	Economic Development Tourism and High Speed Internet	Grant	\$107,000
100 Mile House	100 Mile Emergency Services Training Centre	Grant	\$ 125,000
Cariboo Regional District	Northern Shuswap First Nations Museum	Grant	\$ 36,917
Wells	Tourism Marketing	Grant	\$ 87,500
Lytton	"Pathways to Gold" Regional Tourism Initiative	Grant	\$ 10,000
100 Mile House	Multi-field Sports Facility	Grant	\$ 300,000
100 Mile House	Cariboo Elders Building Revitalization	Grant	\$ 30,000
100 Mile House	Agriplex Revitalization	Grant	\$ 104,500
Clinton	Recreational Complex Revitalization	Grant	\$ 293,700
100 Mile House	Cadets and Recreation Facility Improvements	Grant	\$ 67,000
Lac La Hache	Community Hall/ Arena Revitalization	Grant	\$ 47,364
Lytton	Downtown Revitalization	Grant	\$ 186,750
Central Coast Regional District	Community Forest Incorporation and Investor Attraction	Grant	\$ 14,425
Central Coast Regional District	Airport Beautification Project	Grant	\$ 24,000
Central Coast Regional District	Museum Display Planning	Grant	\$ 3,367
Granisle	Ice Arena/Curling Complex Revitalization	Grant	\$ 140,750
Central Coast Regional District	Economic Development Operating Plan	Grant	\$ 200,000
Houston	Steelhead Park Revitalization	Grant	\$ 122,975
Smithers	Airport Runway Expansion	Loan/Grant	\$ 1,361,000
Stewart	Events Centre Construction	Grant	\$ 250,000
Prince George	CN Centre Display System	Loan	\$ 520,000
Prince George	Northern BC Air Cargo and Prince George Airport Expansion	Loan	\$ 11,000,000
Prince George	Northern Sport Centre Construction	Loan/Grant	\$ 4,200,000
Lillooet	Level "C" Welding School	Grant	\$ 112,000
Quesnel	College of New Caledonia – Olympic/Paralympic Live Site	Grant	\$ 58,600
Cariboo Regional District	Xeni Gwet'in First Nations – Traditional Village, Chilko Lake	Grant	\$ 125,000
108 Mile House	108 Mile Ranch Community Hall Revitalization	Grant	\$ 35,000
100 Mile House	Nordic Ski Society – Ski Trail Maintenance Equipment	Grant	\$ 16,928

Community	Project	Terms	Amount
100 Mile House	Historical Society – Heritage Church Construction	Grant	\$ 42,350
Likely	Tourism Signage	Grant	\$ 12,879
Ashcroft	Tourism Signage	Grant	\$ 3,500
Lillooet	Jade Park Tourism Project Completion	Grant	\$ 30,000
Masset	Sports Fishing Marina Upgrade – Electrification	Grant	\$ 38,242
Central Coast Regional District	Valley Tourism Marketing Strategy Implementation	Grant	\$ 75,000
Bulkley Nechako Regional District	Southside Economic Development Association Market	Grant	\$80,000
Taylor	Branding the Peace	Grant	\$255,000
Fort St. John	Northern Opportunities Program	Grant	\$405,900
Hwy 16 Corridor	Strategic Assessment of Container Market Opportunities	Grant	\$20,000
100 Mile House	South Cariboo Recreation/Events Centre Enhancements	Loan/Grant	\$250,000
Cariboo Regional District	Cariboo Ski Touring Club Facility Enhancements	Grant	\$36,667
Squamish Lillooet Regional District	Gold Bridge Water System Development	Grant	\$331,000
Prince George	Nechako Riverboat Launch Construction	Grant	\$70,000
Kitimat	Kitimat Break Bulk Port Facility Assessment	Grant	\$200,000
100 Mile House	Industrial Hemp Industry Development Study	Grant	\$22,350
Quesnel	Culture and Heritage Centre Feasibility Study	Grant	\$14,000
Terrace	Sportsplex Event Centre Construction	Loan/Grant	\$3,000,000
2006 Project Approvals			\$24,466,664
Total Project Commitments			\$26,521,964

Funding by Investment Area, December 31, 2006



Funding commitments made to date by the Northern Trust as represented by the ten legislated investment sectors.



*Dignitaries break ground
for the Northern Sport
Centre*

Project Investment Spotlight

Northern Sport Centre

On May 26, 2006, the Board announced approval of \$4.2 million to help fund the new Northern Sport Centre at the University of Northern British Columbia (UNBC). The total project will cost over \$30 million and the Trust funds will be delivered in partnership with the City of Prince George and the Regional District of Fraser-Fort George in the form of both loans and grants. The Northern Sport Centre will include a multi-court gymnasium with seating for 2,000 spectators, a field house with an indoor track, an outdoor sports field and connections to a network of cross-country trails.

The project will further enhance the educational opportunities at UNBC and delivers many diversified benefits to the university and community including: providing capacity for 2010 training opportunities for athletes and coaches; providing a national level centre of excellence for cross-country skiing and biathlon; and providing sport tourism and sport entertainment capacity and opportunities. This project will contribute to broad regional economic growth and diversification.

For example, if the Northern Sport Centre results in an additional 100 students enrolling at either UNBC or the College of New Caledonia (CNC), the direct impact of spending in the local economy is up to over \$1 million and the indirect impacts are a further \$1.6 million a year.

Kitimat Break Bulk Port Facility Assessment

On September 13, 2006, the Board announced approval of \$200,000 from the Trust's Cross Regional account to help fund the Kitimat Break Bulk Port Facility Assessment. The total project budget is \$774,436, the project is being led by the Kitimaat Port Development Society and it will assist in developing site-engineering assessments and a business case for potential new and existing shippers to use new and improved port facilities at Kitimat. The study will also examine the transportation corridors required, the cost/benefit analysis from both the port and shippers' perspectives, along with the development of an environmental and socio-economic sustainability plan.

In addition to providing an alternative gateway to global markets and addressing the business needs of northern BC, the Kitimaat Port Development Society emphasizes that the greatest potential of this project lies in its ability to create a cascading effect of industry creation and increased economic development to the area. A common carrier break bulk facility in Kitimat will be complimentary to the development of the container port facilities in Prince Rupert and would continue to build on British Columbia and Canada's Pacific Gateway strategy.

Likely Tourism Signage

On September 20, 2006, the Board announced approval of \$12,879 to help fund the Likely Tourism Signage Project. The new directional and information signs are aimed at encouraging more tourists travelling on Highway 97 to travel the additional 85 kilometres east on secondary roads to

visit Likely, the small historical community of 400 that was a key stop on the original Gold Rush Trail. The signage project is part of a larger community tourism product development plan aimed at increasing the tourism economy of the area along with more seasonal jobs.

The Likely Tourism Signage Project was led by the Likely Community School Association. The project also received a grant of \$12,879 from Likely Xatsu'll Community Forest Ltd. towards the creation and installation of new signs along Highways 115 and 105, as well as on key Forest Service roads in the area. The new signage highlights some of the historic sites around Likely and guides tourists along an alternate route to the Wells/Barkerville area. The project was completed in November of this year and the community is already reporting economic benefits to the surrounding area.



*100 Mile House
Emergency Services
Training Centre*

100 Mile House Emergency Services Training Centre

On September 20, 2006, the Board announced approval of \$125,000 to develop the 100 Mile House Emergency Services Training Centre Project. The total project budget is \$685,500 and includes paving for driving courses, installation of a water system, kitchen facilities, access ramps, burn building facilities and completion of the education centre. The centre will be used by municipal and provincial fire fighters and other emergency service providers from throughout the Interior. The project is expected to create one full-time position and three to six part-time instructional positions.

The project addresses the need for a well-designed and equipped Emergency Services Training Centre for central and northern BC. The Centre is nearing completion and is expecting 180 students to be registered in six courses in the spring of 2007. The Justice Institute of BC, Thompson Rivers University, the College of the Rockies and St. John's Ambulance are a few of the organizations contracting the facility to deliver training programs. As the Centre becomes fully operational, it is anticipated that the economic spin-off to the local economy will exceed \$150,000 per year.

"Branding the Peace" Program

On March 31, 2006, the Board announced funding approval of \$255,000 to help deliver the "Branding the Peace" Program. The successful program is a regional marketing initiative aimed at developing a marketing advantage for the Peace River region of both British Columbia and Alberta. "Branding the Peace" is a geographic brand that will help move communities and producers in the region towards economic and environmental sustainability.

The project began in 2004 and is led by the Branding the Peace Country Association (BPCA), a not-for-profit association with representation from both BC and Alberta. Membership is open to all Peace Country businesses producing a product or service, industry associations, governments and First Nations who support the initiative, meet the brand standards and intend to use the brand for market development. The group is working towards key objectives including expanding the overall Peace Country economy by \$250 million per year and to better position the Peace Country to attract \$200 million in new equity investment. The Northern Trust funding will help secure brand management services for a three year period.



Aerial view of the Port of Kitimat

Leveraging

The Northern Trust is involved in 51 projects approved for funding to-date and sees tremendous value in collaborating with other parties on projects. The full value of the 2005 and 2006 approved project investments is \$166.9 million, which includes \$140.4 million in funding from other sources. One of the objectives of the Trust is to leverage investments each year so that \$1 of Trust investment is matched with at least \$2.50 of investment from other sources. Since inception of the Trust, the projects have leveraged \$5.29 of other sources, and this will yield a leveraging measure for total project investment of 629%.

The benefits of leveraging are significant in that it draws in other funding sources to increase the size of the projects, it involves other groups and resources to ensure the success and completion of projects, and it allows communities to engage in local dialogue on the best use of available funding.

	2005	2006	Since Inception	Target
Northern Trust	\$1.00	\$1.00	\$1.00	\$1.00
Other Sources	\$4.97	\$5.33	\$5.29	\$2.50
Total Leveraging	597%	633%	629%	350%

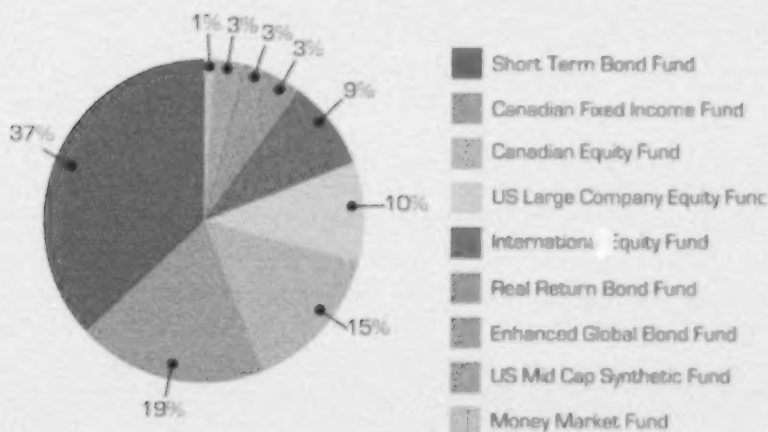
Market Investment Performance

At the beginning of 2006, a thorough search was undertaken for investment management services for all the accounts of the Trust. These services were awarded to SEI Investments Canada Company. In the second quarter of 2006, all funds were transferred from the Municipal Finance Authority Money Market Fund to the custody of SEI Investments Canada Company in their Short Term Bond Fund. This was a temporary measure until the Board developed investment policy statements to permit a more diversified asset allocation. At the June 21st Board meeting, the investment policy statements were finalized and approved, and in early July the funds were invested in diversified, balanced portfolios resulting in an aggregated 33% equities and 67% fixed income investments.

Each account of the Trust is split between a short term pool and a long term pool. The short term pool is determined by the estimated net cash requirements for the upcoming three year period, and is invested in liquid fixed income instruments to ensure cash availability to fund upcoming project requirements. The remaining balance of each account is then considered a long term pool, and is invested in a diversified asset allocation for longer term growth and sustainability.

An objective for the long term pools is to achieve an annual rate of return on market investments of at least 7% while minimizing investment risk in order to support the sustainability of the Trust. The objective for the short term pools is to exceed the Scotia McLeod Short Term Corporate Bond Index. Administration and operating costs are funded from the \$25 million Operating Endowment fund. The Operating Endowment fund could provide an annual return of 7%, which would yield \$1.75 million to cover the administration of the Trust, with any surplus being directed towards inflation and market risk protection, and additional economic development projects. Returns for the current year exceeded expectations with strong bond and equities markets in the later half of the year. Overall investment returns for the Trust investment portfolio was 9.0% for 2006.

Investment Portfolio, December 31, 2006



*Williams Lake Tourism
Discovery Centre*

Each account of the Trust is invested in a conservative, yet diversified portfolio in order to generate steady returns that will ensure sustainability.

Administration Costs

Income from the Operating Endowment Account is utilized for the costs associated with operations of the Trust including staff salaries and benefits, consulting, office space, general administrative costs, and meeting travel costs associated with the Board of Directors and Regional Advisory Committees. The goal of the Trust is to maintain low administrative costs in comparison to other trusts and foundations of a similar size across North America.

Operating Endowment Fund

	2005	2006
Investment Return	2.8%	9.9%
Investment Income	\$698,114	\$2,497,684
Administrative Costs	\$642,414	\$862,732
Investment Income Available for Protection Against Inflation and Market Volatility	\$55,700	\$1,644,832

Administration Costs as Percent of Average Assets 0.34% 0.43%



Valemount Visitor
Information Centre

Sustainability Report

The accounts of the Trust are perpetual, long-term funds with the exception of the Pine Beetle Recovery Account. The accounts are invested to provide cash available for project funding and long term growth for future projects. Project funding may be in the form of loans and/or grants. Where loans are approved for projects, all repayments are directed back to the specific account utilized, which is then available for additional projects.

The following table demonstrates the incredible potential to infuse over \$215 million of Trust funding in to the economy by the year 2015. At the actual average leveraging of 629% experienced in 2005 and 2006, the total project value could exceed \$1.2 billion by the end of 2015. Conservatively, with the target level of leveraging at \$1 Trust to \$2.50 of other sources, the total project value could exceed \$537 million.

Cash inflows are a combination of market returns, loan repayments, and interest generated on the loan portfolio. Cash outflows are a combination of loan disbursements, grant disbursements and administration costs. The balance includes market investment portfolio and outstanding loan portfolio estimates. This table uses actual results from 2005 and 2006 and estimates for the period 2007 – 2015. Future results will be dependent on market returns generated and projects approved over the next ten years.

Year	Inflows	Outflows	Investment Portfolio	Loan Portfolio	Trust Balance
			\$185,000,000		\$185,000,000
2005	\$3,756,758	\$1,445,750	\$187,311,008	\$61,500	\$187,372,508
2006	\$16,805,082	\$7,430,837	\$196,685,253	\$2,814,793	\$199,500,046
2007	\$13,699,749	\$28,999,990	\$181,385,012	\$19,201,793	\$200,586,805
2008	\$15,685,567	\$27,547,240	\$169,523,339	\$31,511,793	\$201,035,132
2009	\$17,613,968	\$25,096,853	\$162,040,455	\$40,431,793	\$202,472,248
2010	\$20,099,446	\$22,648,946	\$159,490,955	\$45,561,793	\$205,052,748
2011	\$24,000,801	\$23,453,643	\$160,038,113	\$47,451,793	\$207,489,906
2012	\$26,043,980	\$18,761,076	\$167,321,017	\$44,301,793	\$211,622,810
2013	\$25,451,536	\$19,821,380	\$172,951,173	\$43,201,793	\$216,152,966
2014	\$25,766,557	\$19,884,700	\$178,833,031	\$42,151,793	\$220,984,824
2015	\$25,911,450	\$19,951,185	\$184,793,295	\$41,351,793	\$226,145,088

AUDITORS' REPORT

To the Board of Directors of
Northern Development Initiative Trust

We have audited the balance sheet of Northern Development Initiative Trust as at December 31, 2006 and the statements of operations and fund balance and cash flow for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Prince George, British Columbia
March 21, 2007

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF OPERATIONS AND FUND BALANCE
year ended December 31, 2006



*Wells Tourism Marketing
Initiative*

	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Cross Regional Account	Pine Beetle Recovery Account
REVENUE				
Government of British Columbia (Note 9):				
BC Rail Contribution	\$ -	\$ -	\$ -	\$ -
Pine Beetle Recovery Contribution	-	-	-	-
Investment Income	2,497,683	-	5,115,042	2,528,726
	2,497,683	-	5,115,042	2,528,726
EXPENDITURES				
Board Costs	30,415	-	-	-
Capital expenditures	50,960	-	-	-
Communication	49,682	-	-	-
Consulting	54,041	-	-	-
Executive Committee	-	-	-	-
Finance Committee	5,197	-	-	-
General Administration	87,050	-	-	-
Insurance	16,717	-	-	-
Legal and accounting	42,623	-	-	-
Office	64,233	-	-	-
Regional Advisory Committees	76,233	-	-	-
Salaries and Benefits	327,923	-	-	-
Special Board Meetings	3,006	-	-	-
	808,080	-	-	-
Grants and Loans	-	-	1,147,110	-
Less: Repayable Portion	-	-	-	-
Net Grants	-	-	1,147,110	-
EXCESS OF REVENUE OVER EXPENDITURE, AND FUND BALANCE, END OF YEAR	1,689,603	-	3,967,932	2,528,726
FUND BALANCE, BEGINNING OF YEAR	55,700	25,000,000	51,366,000	30,033,327
FUND BALANCE, END OF YEAR	\$ 1,745,303	\$ 25,000,000	\$ 55,333,932	\$ 32,562,053

Restricted				Total	
Cariboo-Chilcotin Lillooet Regional Development Account	Northwest Regional Development Account	Northeast Regional Development Account	Prince George Regional Development Account	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,000,000
-	-	-	-	-	50,000,000
1,324,060	1,422,244	1,975,538	1,911,789	16,775,082	3,756,758
1,324,060	1,422,244	1,975,538	1,911,789	16,775,082	188,756,758
-	-	-	-	30,415	31,157
-	-	-	-	50,960	74,294
-	-	-	-	49,682	80,091
-	-	-	-	54,041	81,830
-	-	-	-	-	684
-	-	-	-	5,197	6,107
-	-	-	-	87,050	41,857
-	-	-	-	16,717	1,284
-	-	-	-	42,623	27,035
-	-	-	-	64,233	29,065
-	-	-	-	76,233	139,119
-	-	-	-	327,923	109,356
-	-	-	-	3,006	20,535
-	-	-	-	808,080	642,414
1,653,007 (33,293)	515,430 -	220,300 -	2,994,990 (2,750,000)	6,530,837 (2,783,293)	845,750 (61,500)
1,619,714	515,430	220,300	244,990	3,747,544	784,250
(295,654)	906,814	1,755,238	1,666,799	12,219,458	187,330,094
19,725,068	20,384,587	20,415,355	20,350,057	187,330,094	-
\$ 19,429,414	\$ 21,291,401	\$ 22,170,593	\$ 22,016,856	\$ 199,549,552	\$ 187,330,094



Mount Robson Provincial
Park

NORTHERN DEVELOPMENT INITIATIVE TRUST
BALANCE SHEET
as at December 31, 2006



*Creekside Seniors Activity
Centre Improvements*

	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Cross Regional Account	Pine Beetle Recovery Account
CURRENT ASSETS				
Cash	\$ 82,110	\$ -	\$ -	\$ -
Miscellaneous Receivables	917	-	-	-
GST Receivable	13,416	-	-	-
Prepaid Expenses	19,872	-	-	-
Current Portion of Loans Receivable (Note 3)	-	-	-	-
	116,315	-	-	-
LOANS RECEIVABLE (Note 3)	-	-	-	-
INVESTMENTS (Note 4)	1,695,787	25,000,000	55,333,932	32,562,053
CAPITAL ASSETS (Note 5)	62,832	-	-	-
	\$ 1,874,934	\$ 25,000,000	\$ 55,333,932	\$ 32,562,053
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 66,799	\$ -	\$ -	\$ -
FUND BALANCES				
Operating				
Endowment Fund (Note 6)	-	25,000,000	-	-
Externally Restricted – Uncommitted	-	-	44,203,142	32,562,053
Externally Restricted – Committed (Schedule 1)	-	-	11,130,790	-
Unrestricted	1,745,303	-	-	-
	1,745,303	25,000,000	55,333,932	32,562,053
Capital				
Invested in Capital Assets (Note 7)	62,832	-	-	-
	1,808,135	25,000,000	55,333,932	32,562,053
	\$ 1,874,934	\$ 25,000,000	\$ 55,333,932	\$ 32,562,053

Approved by the Board

Director

Director

Restricted				Total	
Cariboo-Chilcotin Lillooet Regional Development Account	Northwest Regional Development Account	Northeast Regional Development Account	Prince George Regional Development Account	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ 82,110	\$ 38,808
-	-	-	-	917	2,134
-	-	-	-	13,416	10,424
-	-	-	-	19,872	16,888
15,500	-	-	30,000	45,500	30,000
15,500	-	-	30,000	161,815	98,254
29,293	-	-	2,740,000	2,769,293	31,500
19,384,621	21,291,401	22,170,593	19,246,856	196,685,243	187,311,008
-	-	-	-	62,832	66,524
\$ 19,429,414	\$ 21,291,401	\$ 22,170,593	\$ 22,016,856	\$ 199,679,183	\$ 187,507,286
\$ -	\$ -	\$ -	\$ -	\$ 66,799	\$ 110,668
-	-	-	-	25,000,000	25,000,000
17,690,916	16,437,722	21,729,993	21,049,546	153,673,372	161,064,844
1,738,498	4,853,679	440,600	967,310	19,130,877	1,209,550
-	-	-	-	1,745,303	55,700
19,429,414	21,291,401	22,170,593	22,016,856	199,549,552	187,330,094
-	-	-	-	62,832	66,524
19,429,414	21,291,401	22,170,593	22,016,856	199,612,384	187,396,618
\$ 19,429,414	\$ 21,291,401	\$ 22,170,593	\$ 22,016,856	\$ 199,679,183	\$ 187,507,286



Wapiti Lake

NORTHERN DEVELOPMENT INITIATIVE TRUST
STATEMENT OF CASH FLOWS
year ended December 31, 2006

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 12,219,458	\$ 187,330,094
Capital expenditures, included in operations	50,960	74,294
	12,270,418	187,404,388
Changes in non-cash operating working capital		
Decrease (increase) in miscellaneous receivables	1,217	(2,134)
Increase in GST receivable	(2,992)	(10,424)
Increase in prepaid expenses	(2,984)	(16,888)
(Decrease) increase in accounts payable and accrued liabilities	(43,871)	110,668
	12,221,788	187,485,610
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans advanced	(2,783,293)	(61,500)
Repayment of loans receivable	30,000	-
Increase in investments	(9,374,233)	(187,311,008)
Capital asset additions	(50,960)	(74,294)
	(12,178,486)	(187,446,802)
INCREASE IN CASH	\$ 43,302	38,808
CASH, BEGINNING OF YEAR	38,808	-
CASH, END OF YEAR	\$ 82,110	\$ 38,808

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2006

1. AUTHORITY

The Northern Development Initiative Trust is a not-for-profit organization incorporated under the Northern Development Initiative Trust Act in October 2004.

The vision of the Trust is that Northern British Columbia has world-class industries, diversified regional economies and growing, energetic communities. The mission of the Trust is to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments. The British Columbia Provincial government awarded the Trust \$135.0 million in 2004 and a further \$50.0 million in 2005 in order to achieve these objectives.

2. SUMMARY OF ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Fund accounting

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the organization's general activities.

The Restricted Funds, Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account and Prince George Regional Development Account report contributions restricted to activities outlined in their respective strategic plans.

Revenue recognition

Externally restricted contributions received for the Operating Endowment Account, Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account and Prince George Regional Development Account are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized when the income becomes due.

Externally restricted – committed funds

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors, and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

Externally restricted – uncommitted funds

Uncommitted externally restricted funds represent funds not committed at year end to specific project proposals.

Grants and repayable grants

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met.

Capital assets

Capital assets are recorded at cost. Amortization of equipment is calculated based on 20% for office furniture, 30% for computers and equipment, and 100% for software, using the straight-line method, over the useful life of the equipment. Amortization of leasehold improvements is based on the original lease term of 5 years.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2006

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the assets. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Income taxes

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from the estimates.

3. LOANS RECEIVABLE

	2006	2005
Cariboo-Chilcotin Lillooet Regional Development Account Lac La Hache - Mount Timothy Ski Hill - repayable in annual instalments of \$3,000 in 2007, \$3,200 in 2008, and \$3,300 in 2009 - 2011	\$ 16,100	\$ 11,500
Prince George Regional Development Account - Village of Valemount - Visitor Information Centre - repayable in annual instalments of \$30,000 in 2007 and 2008 and \$10,000 in 2009	\$ 70,000	\$ 50,000
Prince George Regional Development Account - City of Prince George - Northern Sport Centre repayable in annual instalments of \$500,000 in 2008 - 2010 and \$300,000 in 2011	\$ 1,800,000	—
Prince George Regional Development Account - Fraser-Fort George Regional District - Northern Sport Centre repayable in annual instalments of \$250,000 in 2008 - 2010 and \$150,000 in 2011	\$ 900,000	—
Cariboo-Chilcotin Lillooet Regional Development Account Cariboo Regional District - Cariboo Recreational Centre, repayable in two annual instalments of \$12,500 starting in 2007	\$ 25,000	—
Cariboo-Chilcotin Lillooet Regional Development Account Cariboo Regional District - 100 Mile House Rotary Agriplex, repayable in annual instalments to be determined based on revenue earned, commencing in 2008	\$ 3,693	—
	\$ 2,814,793	\$ 61,500
Current portion	\$ 45,500	\$ 30,000
	<u>\$ 2,769,293</u>	<u>\$ 31,500</u>

The above loans were issued under funding agreements and are non-interest bearing and unsecured.

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2006

4. INVESTMENTS

The Trust's investments are held with SEI Investments (2005 – Municipal Finance Authority) in the following funds:

	2006	2005
SEI Investments	\$ 196,685,243	–
M.F.A. Money Market Fund		\$ 187,311,008
	\$ 196,685,243	\$ 187,311,008

The annual weighted average rate of return for 2006 was 8.98% (2005 - 2.7%).

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2006 Net Book Value	2005
Operating fund				
Equipment	\$ 123,043	\$ 62,108	\$ 60,935	\$ 64,406
Leasehold improvements	2,210	313	1,897	2,118
	\$ 125,253	\$ 62,421	\$ 62,832	\$ 66,524

During the year the Trust acquired capital assets at a cost of \$50,960 (2005 - \$74,293).

6. ENDOWMENT FUND

The Endowment Fund was set up to receive proceeds of \$25,000,000 from the Government of British Columbia in terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenses incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Income of \$2,497,683 was earned for the year ended December 31, 2006.

7. INVESTED IN CAPITAL ASSETS

Change in invested in capital assets is as follows:

	2006	2005
Opening balance	\$ 66,524	–
Capital asset additions	50,960	74,294
Less amortization	(54,652)	(7,770)
Closing balance	\$ 62,832	\$ 66,524

NORTHERN DEVELOPMENT INITIATIVE TRUST
NOTES TO THE FINANCIAL STATEMENTS
year ended December 31, 2006

8. COMMITMENTS

The Trust has entered into a five year agreement for the lease of premises. The lease agreement expires May 2010. The Trust has committed to \$42,060 per annum for the lease of the premises.

9. FINANCIAL INSTRUMENTS

Fair values

Cash, miscellaneous receivables, and accounts payable and accrued liabilities are reflected in these financial statements at carrying values, which approximate fair values. The fair value of investments is \$196,685,243 as at December 31, 2006. The fair value of the loans receivable is \$2,769,293 as at December 31, 2006.

NORTHERN DEVELOPMENT INITIATIVE TRUST **SCHEDULE 1**
SCHEDULE OF EXTERNALLY RESTRICTED - COMMITTED FUNDS
year ended December 31, 2006

	Total Funding Approved	Current year Disbursements	Outstanding Commitments	
			2006	2005
Cross Regional Account	\$ 12,277,900	\$ 1,147,110	\$ 11,130,790	\$ -
Pine Beetle Recovery Account	-	-	-	-
Cariboo-Chilcotin/Lillooet Regional Development Account	4,091,505	1,653,007	1,738,498	920,000
Northwest Regional Development Account	5,399,759	515,430	4,853,679	59,350
Northeast Regional Account Development Account	660,900	220,300	440,600	-
Prince George Regional Development Account	4,077,400	2,994,990	967,310	230,200
TOTAL	\$ 26,507,464	\$ 6,530,837	\$ 19,130,877	\$ 1,209,550

2007 Northern Trust Board Meeting Dates

January 17, 2007

March 14, 2007 (Annual General Meeting)

June 20, 2007

September 12, 2007

November 21, 2007

Northern Trust Staff

Janine North – Chief Executive Officer

Bryan Lockhart – Chief Financial Officer

Katherine Voigt – Project Manager

Karen Borden – Executive Assistant

Investment Managers

SEI Investments Canada Company

70 York Street

Toronto, ON M5J 1S9

Phone: (416) 777-9700

Auditors

Deloitte Touche LLP

500 – 299 Victoria Street

Prince George, BC V2L 5B8

Phone: (250) 561-1111

Fax: (250) 562-4950

Head Office

Northern Development Initiative Trust

301 – 1268 5th Avenue

Prince George, BC V2L 3L2

Phone: (250) 561-2525

Fax: (250) 561-2563

Email: admin@nditrust.ca

Website: www.nditrust.ca



Catalyst for Opportunities

301-1288 5th Avenue, Prince George, BC V2L 3L2
Phone: (250) 561-2525 • Fax: (250) 561-2563
Web: www.nditrust.ca • Email: admin@nditrust.ca